

FISCAL NOTE

HB 888 - SB 962

April 26, 2005

SUMMARY OF BILL: Creates the Tennessee Health Insurance Risk Pool. Requires the Commissioner of Commerce and Insurance to appoint a nine member Board of Directors to govern the pool which is responsible for submitting a plan of operation that includes procedures for selecting a third party administrator, creating a fund for administrative expenses, developing and implementing a program to foster public awareness of the pool, eligibility requirements of such and enrollment procedures and the board's duties, powers, and obligations. The pool administrator would provide for eligibility and administrative claim payment functions. Persons eligible for the pool include: legally domiciled individuals in the state that provide evidence of insurance coverage for the previous 18 months or health insurance coverage under another state's qualified Health Insurance Portability and Accountability Act; any person living in the state for 30 days that provides a notice of rejection for health reasons from an insurer, a certificate that state a health insurer is unable to provide health insurance, an offer of insurance with conditional riders, a refusal of insurance except at a rate that exceeds the pool, or diagnosis for a medical condition that is automatically covered by the pool. Authorizes the Board to assess insurers and make advance interim assessments for payment of the plan's necessary and reasonable expenses. Any net loss for the year would be recouped by assessments against insurers.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Exceeds \$400,000 Recurring
\$21,100 One-Time**

Other Fiscal Impact – The Industry Assessment that would be required to fund the difference between the premium and the expenses for 1,000 enrollees is estimated to exceed \$2,200,000 based on a 150% of the average premium charged.

Assumptions:

- The Department of Commerce and Insurance, Insurance Division will be required to provide regulatory oversight and guidance. The Department will need six additional positions to perform the required functions of the bill estimated at \$316,500 for salary and benefits and \$46,200 for administrative costs. Office set-ups are estimated at \$21,100 one-time.
- The pool will determine the standard risk rate by considering the premium rates charged by other insurers offering health insurance coverage to individuals.

- Based on the prior operation of the Tennessee Comprehensive Health Insurance Pool, it is assumed that approximately 50% of the overall plan expenses will be that of premiums by plan participants and the industry will provide the other half of the operational expenses.
- The industry assessment is based on the estimated of average premiums charged for 1,000 enrollees would be \$3.4 million. A premium charged at 150% is estimated at \$2.2 million.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director